

CORPORATE INTEGRITY AGREEMENT

**BETWEEN THE
OFFICE OF THE INSPECTOR GENERAL OF THE DEPARTMENT
OF HEALTH AND HUMAN SERVICES
AND
REHABWORKS, INC.**

I. PREAMBLE

RehabWorks, Inc. (hereinafter "RehabWorks"), a Florida corporation, hereby agrees to enter into this Corporate Integrity Agreement (the "Agreement" or "CIA") with the Office of Inspector General ("OIG") of the United States Department of Health and Human Services ("HHS") to ensure compliance with the billing requirements of Medicare, Medicaid and all other federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)) (hereinafter collectively referred to as the "federal health care programs") by RehabWorks, its subsidiaries, successors, assigns, employees, contractors and third party billing agents engaged in the provision, documentation or billing of rehabilitative services such as speech pathology, occupational therapy and physical therapy services (hereinafter referred to collectively as "therapy services").

This CIA is entered into pursuant to a settlement agreement between Integrated Health Services, Inc. ("IHS"), a Delaware corporation, as owner of RehabWorks, and the United States, to which this CIA is attached and incorporated by reference, resolving allegations of fraud against RehabWorks' entities that provided therapy services to nursing home residents in the state of Kansas. These entities were known successively as Communi-Care/Pro-Rehab, Premier Rehabilitation Management, and CMS Therapies Management, and were later unified as RehabWorks, Inc. Subsequent to the initiation of the investigation of those entities by the United States Attorney's Office for the District of Kansas, IHS acquired RehabWorks. The investigation of RehabWorks formed the basis of the settlement. The compliance obligations set forth in this CIA apply to the extent specified herein, to: (i) IHS; (ii) RehabWorks and its subsidiaries, successors, assigns, agents and employees ("RehabWorks" or "RW"); and (iii) any entity owned or controlled by RehabWorks in the state of Kansas and in existence at any time during the term of this CIA, which provides therapy services (hereinafter entities referred to in (iii) shall be referred to as "RW Therapy Services 'Entity' or 'Entities'").

IHS has established and currently operates a compliance program (known as the "Corporate Compliance Plan") (hereinafter referred to as the "Plan"), which provides for

corporate integrity policies and procedures and which, as represented by IHS in this Agreement, is aimed at ensuring that its participation in the federal health care programs is in conformity with the statutes, regulations and other directives applicable to the programs. IHS' participation in this Agreement shall be limited to its agreement to operate and maintain the Plan as set forth herein, report on those elements of the CIA for which it is responsible as set forth herein and take all reasonable steps to promote, encourage and ensure that RehabWorks and RW Therapy Services Entities are governed by the Plan and that RehabWorks is in compliance with this Agreement.

II. TERM OF THE AGREEMENT

The period of the compliance obligations assumed by IHS, RehabWorks and RW Therapy Services Entities under this Agreement shall be three (3) years from the date of execution of this Agreement, unless otherwise specified.

III. CORPORATE INTEGRITY OBLIGATIONS

Pursuant to this Agreement and for the duration of this Agreement, IHS and RehabWorks will maintain or adopt, if not already established as elements of the Plan, the following corporate integrity obligations as permanent features of the Plan for applicability to RehabWorks and/or RW Therapy Services Entities.

A. Corporate Compliance Committee and Corporate Compliance Officer

IHS and RehabWorks represent that the Plan contains, or will be amended within ninety (90) days of the execution of this CIA to ensure that it contains, the following elements: (i) a Compliance Committee (known as the Corporate Integrity Committee), upon which is delegated the authority of maintaining or establishing and implementing the corporate integrity obligations incorporated into the Plan; (ii) an individual to serve as RehabWorks' Compliance Officer who shall be responsible for the day-to-day compliance activities engaged in by RehabWorks to further the corporate integrity obligations assumed herein, as well as for any reporting obligations created under this Agreement. The Compliance Officer shall submit the Implementation and Annual Reports to the Executive Vice President over RehabWorks or The Chief Operating Officer of RehabWorks and to the OIG in accordance with the provisions governing reports in this Agreement.

In addition to maintaining IHS' current Corporate Integrity Committee, IHS shall, within ninety (90) days of execution of this Agreement, establish a Subcommittee of the Corporate Integrity Committee that shall be responsible for ensuring that the corporate integrity obligations pertaining to RehabWorks and RW Therapy Services Entities are

established, implemented and maintained in accordance with this CIA.

B. Annual Review and Audit of Billing Policies, Procedures and Practices

For the first year following the execution of the CIA and covering a twelve month period, RehabWorks shall retain an entity, such as an accounting, auditing or consulting firm (hereinafter "Independent Review Organization" or "IRO"), to perform review procedures to assist RehabWorks in assessing the adequacy of RW Therapy Services Entities' billing and compliance practices pursuant to this CIA. For the second and third year of the CIA and covering twelve month periods, respectively, RehabWorks shall perform the review procedures through an internal audit and retain an IRO to review whether RehabWorks has performed the internal audit in conformance with the agreed-upon procedures described below. The Independent Review Organization must have expertise in the billing, coding, reporting and other requirements of the federal health care programs, from which the Nursing Facilities that RW Therapy Services Entities have contracted with (hereinafter referred to as "contracted NF's") to provide therapy services to their residents seek reimbursement or from which RW Therapy Services Entities seek reimbursement directly. The IRO must be retained to conduct the audit of the first year within ninety (90) days of the effective date of this CIA.

For year one of the CIA, the Independent Review Organization will conduct two separate engagements. One will be an analysis of RW Therapy Services Entities' billing for therapy services at contracted NF's which are then billed to the federal health care programs by the contracted NF's and an analysis of RW Therapy Services Entities' direct billing to federal health care programs to assist RehabWorks and OIG in determining compliance with all applicable statutes, regulations, and directives/guidance ("billing engagement"). The second engagement will determine whether RehabWorks and RW Therapy Services Entities are in compliance with this CIA ("compliance engagement"). In performing its internal audits for years two and three RehabWorks shall follow the "engagement" agreed-upon procedures described below.

1. *Billing Engagement.* The billing engagement shall consist of a review of a statistically valid sample of individual patient services or claims that can be projected to the population of service provided by RW Therapy Services Entities and billed directly by a RW Therapy Service Entity or indirectly through a contracted NF to any federal health care program for the relevant period. The sample size shall be determined through the use of a probe sample. At a minimum, the full sample must be within a ninety (90) percent confidence level and a precision of twenty-five (25) percent. The probe sample must contain at least thirty (30) sample units and cannot be used as part of the full sample. Both the probe sample and the sample must be selected through random numbers.

RehabWorks shall use OIG's Office of Audit Services Statistical Sampling Software, also known as "RAT-STATS," which is available through the Internet at "www.hhs.gov/progorg/oas/ratstat.html."

Each annual billing engagement or internal audit ("engagement/audit") analysis shall include the following components in its methodology:

- a. **Billing Engagement/Audit Objective:** A clear statement of the objective intended to be achieved by the billing engagement/audit and the procedure or combination of procedures that will be applied to achieve the objective.
- b. **Billing Engagement/Audit Population:** Identify the population, which is the group about which information is needed. Explain the methodology used to develop the population and provide the basis for this determination.
- c. **Sources of Data:** Provide a full description of the source of the information upon which the billing engagement/audit conclusions will be based, including the legal or other standards applied, documents relied upon, payment data, and/or any contractual obligations.
- d. **Sampling Unit:** Define the sampling unit, which is any of the designated elements that comprise the population of interest.
- e. **Sampling Frame:** Identify the sampling frame, which is the totality of the sampling units from which the sample will be selected.

The billing engagement/audit shall provide:

- a. findings regarding RW Therapy Services Entities' policies, procedures and practices related to therapy services provided to contracted NF's;
- b. findings regarding whether a sample of RW Therapy Services Entities' billings to contracted NF's or claims submitted to federal health care programs are accurately and appropriately billed therapy services under applicable "Under Arrangement" Medicare regulations;
- c. findings regarding whether RW Therapy Services Entities' procedures are effective to identify and correct inaccurate billings to contracted NF's or claims submitted to federal health care programs;
- d. findings regarding whether RW Therapy Services Entities programs, policies, operations and procedures comply with statutes, regulations and other requirements of federal health care programs to which RW Therapy Services Entities directly submits claims for reimbursement or must abide under applicable "Under Arrangement" Medicare regulations; and
- e. findings regarding the steps RehabWorks has implemented to bring RW Therapy Services Entities' operations into compliance or to correct issues identified by internal audit(s) or reviews or by the IRO as appropriate.

2. Compliance Engagement. An Independent Review Organization shall also conduct a compliance engagement for year one and RehabWorks shall perform a compliance review for years two and three of the CIA, that shall provide findings regarding whether RehabWork's and/or RW Therapy Services Entities' program, policies, procedures, and operations comply with the terms of this CIA. These reviews shall include section by section findings regarding the requirements of this CIA.

A complete copy of the Independent Review Organization's billing and compliance engagement for year one shall be included in RehabWorks's first Annual Report to OIG. A report on the IRO's findings regarding its review of RehabWorks internal audits for years two and three shall be included in RehabWorks' second and third Annual Reports.

3. Disclosure of Overpayments and Material Deficiencies. If, as a result of the engagement/audits, RehabWorks or the Independent Review Organization identifies any billing, coding or other policies, procedures and/or practices that result in improper billings to contracted NF's or an overpayment to the federal health care programs, RehabWorks and/or the RW Therapy Service Entity shall notify the contracted NF or the payor (e.g., Medicare fiscal intermediary or carrier), whichever is appropriate under the circumstances, within 30 days of discovering the improper billing or overpayment and take remedial steps within 60 days of discovery (or such additional time as may be agreed to by the contracted NF or payor) to correct the problem, including preventing the deficiency from recurring. The notice to the contracted NF or payor shall include:

- a. a statement that the refund is being make pursuant to this CIA;
- b. a description of the complete circumstances surrounding the improper billing or overpayment;
- c. the methodology by which the improper billing or overpayment was determined;
- d. the amount of the improper billing or overpayment; and
- e. any invoice-specific or claim-specific information used to determine the improper billing or overpayment (e.g., beneficiary health insurance number, claim number, service date, and payment date).

If RehabWorks or RW Therapy Service Entity determines an improper billing or overpayment represents a material deficiency, contemporaneous with RehabWorks's and/or RW Therapy Services Entities' notification to the contracted NF or payor as provided above, RehabWorks and/or RW Therapy Service Entity shall also notify OIG of:

- a. a complete description of the material deficiency;
- b. amount of improper billing or overpayment due to the material deficiency;
- c. RehabWork's and/or RW Therapy Services Entity's action(s) to correct and prevent such material deficiency from recurring;
- d. the contracted NF's or payor's name, address, and contact person where the improper billing or overpayment was sent;
- e. The date of the check and identification number (or electronic transaction number) on which the improper billing or overpayment was repaid.

For purposes of this CIA, an "improper billing" shall mean the amount of money by which RehabWorks and/or RW Therapy Services Entity charged the contracted NF for a therapy service in excess of the amount due and payable under the federal health care programs' statutes, regulations or program directives, including carrier and intermediary instructions governing provision of therapy services "Under Arrangement."

For purposes of this CIA, an "overpayment" shall mean the amount of money RehabWorks and/or RW Therapy Service Entity has received in excess of the amount due and payable under the federal health care programs' statutes, regulations or program directives, including carrier and intermediary instructions.

For purposes of this CIA, a "material deficiency" shall mean anything that involves: (i) a substantial improper billing or overpayment relating to the federal health care programs; (ii) conduct or policies that clearly violate federal health care program statutes, regulations or directives issued by HCFA and/or its agents; or (iii) a service that fails to be of a quality which meets professionally recognized standards of health care. A material deficiency may be the result of an isolated event or a series of occurrences.

C. Corporate Integrity Policy

Within ninety (90) days of the date of execution of this Agreement, IHS shall incorporate into its existing Plan, written policies and procedures specifically demonstrating its commitment to the preparation and submission of accurate billings for therapy services provided by RehabWorks and/or RW Therapy Services Entities consistent with the standards set forth in the federal health care programs' regulations, procedures and guidelines or otherwise communicated by HCFA, its agents or any other agency engaged in the administration of the federal health care program or its agents.

These policies shall be adopted by IHS and distributed to all RehabWorks and RW Therapy Services Entities' employees and independent contractors involved in the

provision or documentation of therapy services directly or indirectly billed through contracted NF's to federal health care programs or in the preparation or submission of any and all requests for reimbursement for therapy services for submission to contracted NF's or the federal health care programs. IHS, RehabWorks and RW Therapy Services Entities shall post in a prominent place accessible to each such person a notice detailing their commitment to comply with all applicable federal health care program statutes, regulations and directives for therapy services provided by RehabWorks and/or RW Therapy Services Entities. A copy of the policies and notice will be available, upon request, to the OIG.

D. Information and Education Program

For the duration of this Agreement, IHS shall continue to maintain its current information and education program and amend it, if necessary, within one hundred twenty (120) days of the date of execution of this Agreement to ensure that each officer, director, and employee of RehabWorks and/or RW Therapy Services Entities is reasonably aware of all statutes, regulations and agency directives (including those from HCFA, its contractors, and other federal agencies charged with administering federal health care programs and their agents) relating to their individual functions within RehabWorks and/or RW Therapy Services Entities, as well as the standards of business conduct that such individuals are expected to follow and the consequences, both to the individuals and to RehabWorks and/or RW Therapy Services Entities, that will ensue from any violation of these requirements.

Pursuant to this information and education program, each officer, director, and employee of RehabWorks shall receive at least two (2) hours of initial training regarding IHS' Plan. Thereafter, at least one (1) hour of such training shall be required annually.

In addition to the above-mentioned general training, within one hundred twenty (120) days of the execution of this CIA, RehabWorks shall also establish a training program for therapists, other health care professionals and managerial or clerical employees involved in or with responsibility for the provision or documentation of therapy services or preparing or submitting requests for reimbursement for therapy services provided by RehabWorks and/or RW Therapy Services Entities to contracted NF's or the federal health care programs through RehabWorks and/or RW Therapy Services Entities or its agents. This program shall provide for no less than two (2) hours of formal training on an annual basis on the following: (i) the submission of accurate bills for therapy services rendered to patients of the federal health care programs; (ii) the personal obligation of each individual to make reasonable efforts to ensure that the information provided by the individual (either orally or in writing) relating to therapy services rendered to patients of the federal health care programs, or otherwise provided in support of a submission for

reimbursement to these programs, is accurate; (iii) applicable federal health care program reimbursement statutes and regulations and program guidance for therapy services; and (iv) the legal sanctions for the submission of false or inaccurate information including, but not limited to, improper billings and provide examples of improper billing practices of therapy services. Such training shall also be included in the formal orientation of new employees (as described in this paragraph above) and shall be completed by new employees within the first sixty (60) days of hire or within one hundred twenty (120) days of execution of this CIA, whichever is later. Such new employee shall at a minimum receive specific training that includes the elements set forth above at (i), (ii) and (iii) prior to the new employee assuming any responsibility for the provision or documentation of therapy services or the preparation or submission of documents related to requests for reimbursement for therapy services by RehabWorks and/or RW Therapy Services Entities to contracted NF's or the federal health care programs. Information concerning the format, dates, and a copy of the materials provided will be available, upon request, for review by OIG.

For purposes of meeting the obligations under this subsection D for the term of the first Annual Report under this Agreement, the OIG agrees that RehabWorks and RW Therapy Services Entities employees have satisfied their obligation to receive the initial two (2) hours of general training on IHS' Plan by reason of IHS' training and education activities carried out on or about January 16, 1998.

E. Confidential Compliance Disclosure Program

Within ninety (90) days of the execution of this Agreement, RehabWorks shall adopt for applicability to RW Therapy Services Entities, IHS's current confidential compliance disclosure program, enabling any employee of those entities to disclose any practices or billing procedures relating to the federal health care programs by the employee that are alleged to be inappropriate, to an identified individual not in that employee's direct chain of command. RehabWorks shall, as part of its disclosure program, require the internal review of any disclosure that is sufficiently specific so that it: (i) permits a determination of the appropriateness of the billing practice alleged to be involved; and (ii) reasonably permits corrective action to be taken and ensure that proper follow-up is conducted. In an effort to address every disclosure, however, RehabWorks shall in good faith, make a preliminary inquiry for every disclosure instance to ensure they have obtained all of the necessary information that is reasonably required to determine whether an internal review, in accordance with the language above, should be conducted. RehabWorks shall develop an internal tracking system to record or log and follow-up on all disclosures received.

RehabWorks shall maintain records of any internal review or follow-up of disclosures

reports in a manner agreeable to the OIG so that they will be readily available to the OIG for review for a minimum of four (4) years after the execution of this Agreement. The Compliance Officer shall maintain a confidential disclosure log, which shall include a record and summary of each allegation received, the status of the respective investigations, and any corrective action taken in response to the investigation.

F. Dealing with Excluded or Convicted Individuals or Entities

For the duration of this agreement and under the terms of its own Plan IHS shall continue to require RehabWorks and RW Therapy Services Entities to abide by IHS's policy of requiring all new employees to sign an acknowledgment form attesting that the employee is not subject to exclusion or debarment under federal law. RehabWorks shall further implement a written internal operating policy that RW Therapy Services Entities shall not employ (either as an employee or as independent contractor) with or without pay, an individual or entity that is listed by a federal agency as excluded, suspended or otherwise ineligible for participation in federal programs. In order to carry out the policy, RehabWorks shall make a reasonable inquiry into the status of any potential employee or independent contractor. Such a reasonable inquiry shall be made during the hiring process and shall include, at a minimum, a review of the OIG's Cumulative Sanctions Report and the General Services Administration's ("GSA's") List of Parties Excluded from Federal Procurement and Non-Procurement Programs. Among other places, these reports can be found on the "Internet" at www.dhhs.gov/progorg/oig and www.arnet.gov/epls, respectively.

If RehabWorks and/or RW Therapy Services Entities has notice that an employee or agent is charged with a criminal offense related to any federal health care program, or is suspended or proposed for exclusion during his or her employment or contract with RehabWorks and/or RW Therapy Services Entity, within ten (10) days of receiving such notice RehabWorks and/or RW Therapy Services Entity will remove such employee from responsibility for, or involvement with, RehabWorks' and/or RW Therapy Services Entity's business operations related to the federal health care programs until the resolution of such criminal action, suspension, or proposed exclusion.

IV. PRIVILEGES AND OIG INSPECTION, AUDIT AND REVIEW RIGHTS

Nothing in this CIA shall constitute or be construed as a waiver by IHS, RehabWorks and/or RW Therapy Services Entities of its attorney-client privilege or any other applicable privilege.

In addition to any other rights that OIG may have by statute, regulation, contract or pursuant to this Agreement, OIG or its duly authorized representatives may examine

RehabWorks' and any RW Therapy Services Entities' books, records, and other documents and supporting materials for the purpose of verifying and evaluating: (i) RehabWorks' and RW Therapy Services Entities' compliance with the terms of this Agreement; and (ii) RW Therapy Services Entities' compliance with the requirements of the federal health care programs. Upon reasonable notice, the documentation described above shall be made available by RehabWorks and/or RW Therapy Services Entities at all reasonable times for inspection and audit and reproduction. Furthermore, for purposes of this provision, the OIG or its authorized representative(s) may interview any RehabWorks or RW Therapy Services Entities' employee who consents to be interviewed at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the employee and OIG. IHS and/or RehabWorks may have counsel present at such interview; however, the employee shall be notified by IHS and/or RehabWorks that he or she has the right to be interviewed without counsel present and that counsel represents IHS and/or RehabWorks. IHS, RehabWorks and RW Therapy Services Entities agree to assist OIG in contacting and arranging interviews with such employees upon the OIG's request.

V. IMPLEMENTATION AND ANNUAL REPORTS

A. Implementation Report. Within one hundred and fifty (150) days after the effective date of this CIA, RehabWorks shall submit a written report to OIG summarizing the status of its implementation of the requirements of this CIA. IHS shall supplement the Implementation Report as appropriate and/or necessary (e.g., certification by IHS Compliance Officer). This Implementation Report shall include:

1. the name, address, phone number and position description of the Compliance Officer required by section III.A;
2. the names and positions of the members of the Subcommittee of the Corporate Integrity Committee required by section III.A;
3. a description of the training programs required by section III.D.
4. a certification by the Compliance Officer that:
 - a. the Policies and Procedures required by section III.C. have been developed, are being implemented, and have been distributed to all pertinent employees;
 - b. all employees have completed the training required by section III.D;
5. the identity of the Independent Review Organization(s) and the proposed start and completion date of the first audit; and
6. a copy of the written internal operating policy required by section III.F.

B. Annual Reports. RehabWorks shall make annual reports (each one of which is referred to throughout this Agreement as the “Annual Report”) to the OIG describing the measures RehabWorks and RW Therapy Services Entities have taken to ensure compliance with the terms of this Agreement. Contemporaneously with and as part of RehabWorks’ Annual Report IHS shall describe the measures IHS currently has in place as part of its Plan that apply to RehabWorks and RW Therapy Services Entities and any additional measures it has taken to ensure compliance with the terms of this Agreement.

In accordance with the provisions above, the Annual Reports for this CIA shall include the following information:

1. In the first Annual Report, copies of the document or documents that comprise IHS’ revised Corporate Compliance Plan as amended under this Agreement and implemented by the Corporate Integrity Committee and/or Subcommittee. For subsequent years, IHS shall note in the report any amendments or revisions to the Plan documents made during the year covered by the Annual Report.

2. A copy of the written Policies and Procedures specifically related to the provision of therapy services and any revisions or amendments thereto pursuant to section III.C. of this Agreement made during the year covered by the Annual Report.

3. A detailed description of the findings made during the reviews and audits conducted pursuant to section III.B of this Agreement relating to the year covered by the Annual Report, copies of the disclosure or notice documents made by RehabWorks and/or RW Therapy Services Entities pursuant to that section, and a description of the corrective steps and proof of refund to the pertinent contracted NF or payor (where applicable).

4. A description of the Information and Education Program maintained by IHS and the specific training program implemented by RehabWorks as required by section III.D of this Agreement, a summary of the activities engaged in, in furtherance of this program, including a schedule, a topic outline of the training sessions and a list of the participants organized by department or division, and a certification that the training required in section III.D has been provided.

5. A summary of communications (including the number of disclosures by employees and their dates) received through the Confidential Compliance Disclosure Program maintained by RehabWorks in accordance with section III.E concerning RW Therapy Services Entities’ practices or billing procedures relating to the federal health care programs and the results of all investigations and internal reviews, as well as any follow-up on such disclosures and a copy of the confidential disclosure log required by section III.E.

6. A summary of the background inquiries conducted pursuant to section III.F above on which any personnel actions (other than hiring) were taken as a result of these inquiries.

7. A summary of any ongoing investigation or legal proceeding conducted or brought by a governmental entity involving an allegation that a RW Therapy Services Entity has committed a crime or has engaged in fraudulent activities, and/or any requests (whether voluntary or compulsory) for the production of documents, information or testimony made to a RW Therapy Services Entity by a federal or state agency, which relates to a federal health care program. The statement shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation, legal proceeding or request, but shall not include routine carrier or fiscal intermediary requests as part of the reporting required in this section.

8. The names and positions of RehabWorks and RW Therapy Services Entities' officers and IHS' Compliance Committee and Subcommittee members.

9. A report of the (1) aggregate improper billings that have been returned to contracted NF's and (2) overpayments that have been returned to the federal health care programs that were discovered as a result of the corporate integrity provisions in this CIA (the report must include a detailed description of how the improper billings and overpayments were calculated). Overpayment amounts shall be broken down into the following categories: Medicare, Medicaid (report each applicable state separately) and all other federal health care programs. Improper billings shall be broken down into these categories as well as by repaid contracted NF.

10. A written certification from the RehabWorks Compliance Officer indicating that he/she has reviewed the Annual Report, has made a reasonable inquiry regarding its content and believes that, upon his/her inquiry, the information is accurate and truthful.

Where applicable, the Annual Report shall include a statement that, to the best of RehabWorks' knowledge, no events subject to the reporting requirements identified above occurred, other than those described in the Annual Report. RehabWorks agrees to maintain all information (including supporting documentation) relating to such reports on its premises and arranged by report year so that they will be readily available to OIG for a minimum of four (4) years from the date of execution of this Agreement.

The Annual Reports shall be submitted within thirty (30) days after the first, second and third anniversary dates of the execution of this CIA.

VI. NOTIFICATIONS AND SUBMISSION OF REPORTS

Unless otherwise stated subsequent to the execution of this Agreement, all notifications and reports required under the terms of this Agreement shall be submitted to the entities listed below:

ATTENTION: CIVIL RECOVERIES BRANCH - COMPLIANCE UNIT
OFFICE OF COUNSEL TO THE INSPECTOR GENERAL
OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF HEALTH AND HUMAN
SERVICES
COHEN BUILDING, ROOM 5527
330 INDEPENDENCE AVENUE, SW
WASHINGTON, D.C. 20201
PH. (202)619-2078
Fax (202)205-0604

ATTENTION: Marshall A. Elkins
Executive Vice President and General Counsel
Integrated Health Services
10065 Red Run Boulevard
Owings Mills, MD 21117
Telephone: (410) 998-8400
Facsimile: (410) 998-8747

Cheryl C. Battee
Vice President, Corporate Compliance
Integrated Health Services
[Same Address as Above]
Telephone: (410) 998-8879
Facsimile: (410) 998-8500

VII. DOCUMENT AND RECORD RETENTION

RehabWorks shall maintain for inspection its documents and records relating to requirements in this Agreement or relating to reimbursement for therapy services provided by RW Therapy Services Entities from the federal health care programs for a period of four (4) years following the execution of this Agreement or until otherwise required to retain such records, whichever is later.

VIII. BREACH AND DEFAULT

Full and timely compliance by RehabWorks and/or RW Therapy Services Entities shall

be expected throughout the duration of this Agreement with respect to all of the obligations herein agreed to by RehabWorks.

A. Stipulated Penalties for Failure to Comply with Certain Obligations

As a contractual remedy, RehabWorks and the OIG-HHS hereby agree that failure to comply with certain obligations set forth in this Agreement may lead to the imposition of specific monetary penalties on RehabWorks (hereinafter referred to as “stipulated penalties”) in accordance with the following provisions:

1. A stipulated penalty of two thousand five hundred dollars (\$2500) (which shall accrue on the date the obligation became due) for each day RehabWorks fails to submit the complete Implementation Report or any of the Annual Reports by the date that the Report is due.

2. A stipulated penalty of two thousand five hundred dollars (\$2500) (which shall begin to accrue on the date the obligation became due) for each day beginning ninety (90) days after the execution of this CIA and concluding at the end of the term of this CIA that RehabWorks fails to comply by having fully in force and applicable, as appropriate, to RehabWorks and/or RW Therapy Services Entities any of the following:

- A. IHS’s Plan, including any required amendments, under section III of this Agreement;
- B. IHS’s Corporate Integrity Committee, Subcommittee, and the Compliance Officer, discharging their respective duties under section III.A of this Agreement;
- C. IHS’s Information and Education Program, including any required amendments, under section III.D of this Agreement;
- D. the Confidential Compliance Disclosure Program, including any required amendments under Section III.E of this Agreement.

3. A stipulated penalty of two thousand five hundred dollars (\$2500) (which shall begin to accrue on the date access is denied) for each day RehabWorks or a RW Therapy Services Entity fails to grant access to the information or documentation necessary to exercise the OIG’s inspection, audit and review rights set forth in section IV of this Agreement.

4. A stipulated penalty of two thousand five hundred dollars (\$2500) (which shall begin to accrue on the date the OIG provides notice to RehabWorks of the failure to comply) for each day RehabWorks or a RW Therapy Services Entity employs or contracts with an individual or entity after that individual or entity has been listed by a federal agency as excluded, debarred, suspended or otherwise ineligible for participation in the Medicare, Medicaid or any other federal health care program (as defined in 42

U.S.C. § 1320a-7b(f)). This stipulated penalty shall not be demanded if RehabWorks can demonstrate that it did not discover the individual's or entity's status after making the reasonable inquiry described in section III.F.

5. A stipulated penalty of two thousand dollars (\$2000) (which shall begin to accrue ten (10) days after the date the OIG provides notice to RehabWorks of the failure to comply) for each day RehabWorks fails to comply with any other requirement in this Agreement, which is not covered by provisions 1, 2, 3, or 4 of section VIII.A of this Agreement.

B. Payment of Stipulated Penalties

Upon finding that RehabWorks and/or a RW Therapy Services Entity has failed to comply with any of the above-enumerated obligations and determining that stipulated penalties are appropriate, the OIG shall notify RehabWorks and/or the RW Therapy Services Entity by personal service or certified mail of: (i) RehabWorks' and/or the RW Therapy Services Entity' failure to comply; and (ii) the OIG's exercise of its contractual right to demand payment of the stipulated penalties (this notification is hereinafter referred to as the "Demand Letter").

Within fifteen (15) days of the date of the Demand Letter, RehabWorks and/or the RW Therapy Services Entity shall either: (i) cure the breach to the OIG's satisfaction and pay the applicable stipulated penalties; or (ii) request a hearing before an HHS administrative law judge (ALJ) to dispute the OIG's determination of noncompliance, pursuant to the agreed upon provisions set forth below in section VIII.D. Failure to respond in a timely manner in one of these two ways will be a material breach of this Agreement.

RehabWorks and/or the RW Therapy Services Entity may submit a timely written request for an extension of time to perform any act or file a notification or report required by this CIA. Notwithstanding any other provision in this section, if the OIG denies a timely written request, stipulated penalties shall not begin to accrue until two (2) business days following RehabWorks' and/or the RW Therapy Services Entity's receipt of the OIG's written denial of such a timely written request. A "timely written request" is defined as a request in writing received by the OIG at least five (5) business days prior to the date by which any act is due to be performed or notification or report is due to be filed.

Payment of the stipulated penalties shall be made by certified or cashier's check, payable to "Secretary of the Department of Health and Human Services," and submitted to the OIG at the address set forth in section VI of this Agreement.

Except as otherwise noted, these provisions for payment of stipulated penalties shall not affect or otherwise set a standard for the OIG's determination that RehabWorks and/or

RW Therapy Services Entities have materially breached this CIA, which decision shall be made at the OIG's discretion and governed by the provisions in section VIII.C below.

C. Exclusion for Material Breach of This Agreement

The parties agree that a material breach of this CIA by RehabWorks and/or a RW Therapy Services Entity constitutes an independent basis for the exclusion of RehabWorks and the RW Therapy Services Entity from participation in the federal health care programs. Upon a determination by the OIG that RehabWorks or a RW Therapy Services Entity has materially breached this CIA and that exclusion should be imposed, the OIG shall notify RehabWorks and/or the RW Therapy Services Entity by certified mail of: (i) the material breach and (ii) the OIG's intent to exercise its contractual right to impose exclusion (this notification is hereinafter referred to as the "Notice of Material Breach and Intent to Exclude Letter"). RehabWorks and/or the RW Therapy Services Entity shall have thirty-five (35) days from the date of the letter to demonstrate to the OIG's satisfaction that:

1. RehabWorks and/or the RW Therapy Services Entity is in full compliance with this Agreement;
2. the alleged material breach has been cured; or
3. the alleged material breach cannot be cured within the thirty-five (35) day period, but that RehabWorks and/or the RW Therapy Services Entity has begun to take action to cure the material breach; (ii) RehabWorks and/or the RW Therapy Services Entity is pursuing such action with due diligence; and (iii) RehabWorks and/or the RW Therapy Services Entity has provided to the OIG a reasonable timetable for curing the material breach.

If at the conclusion of the thirty-five (35) day period, RehabWorks and/or the RW Therapy Services Entity fails to meet the requirements of provisions 1, 2 or 3 above, OIG may exclude RehabWorks and/or the RW Therapy Services Entity from participation in the federal health care programs. OIG shall notify RehabWorks and/or the RW Therapy Service Entity in writing of its determination to exclude it (this letter shall be referred to hereinafter as the "Exclusion Letter"). The exclusion will take effect thirty (30) days after the date of the Exclusion Letter. The exclusion shall have national effect and will also apply to all other federal procurement and non-procurement programs. If RehabWorks and/or the RW Therapy Services Entity is excluded under the provisions of this CIA, RehabWorks and/or the RW Therapy Services Entity may seek reinstatement pursuant to the provisions at 42 C.F.R. §§ 1001.3001-3004.

For purposes of this section, a "material breach" shall mean: (i) a failure by RehabWorks and/or RehabWorks Therapy Services Entities to report a material deficiency, take

corrective action, and pay appropriate refunds as provided in section III.B; (ii) repeated or flagrant violations of the obligations under this Agreement, including, but not limited to, the obligations addressed in section VIII.A of this Agreement; or (iii) failure to either pay stipulated penalties or request a hearing before an ALJ as required by section VIII.B above.

In connection with the OIG's determination to exclude RehabWorks and/or RW Therapy Services Entities pursuant to this provision, RehabWorks and/or RW Therapy Services Entities shall have the right to dispute the OIG's determination in accordance with the agreed upon provisions set forth in section VIII.D of this Agreement.

D. Dispute Resolutions

Upon OIG's delivery to RehabWorks and/or the RW Therapy Services Entity of its Demand Letter or of its Exclusion Letter, and as an agreed upon contractual remedy for the resolution of disputes arising under the obligations in this Agreement, RehabWorks and/or the RW Therapy Services Entity shall be afforded certain review rights comparable to the ones that are provided in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. Part 1005 as if they applied to the stipulated penalties or exclusion sought pursuant to this Agreement. Specifically, the OIG's determination to demand payment of the stipulated penalties or to seek exclusion shall be subject to review by an ALJ and the Departmental Appeals Board (DAB) in a manner consistent with the provisions in 42 C.F.R. §§ 1005.2-1005.21. Notwithstanding the language in 42 C.F.R. § 1005.2(c), the request for a hearing involving exclusion shall be made within thirty (30) days of the date of the Exclusion Letter.

Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for stipulated penalties under this section shall be: (i) whether RehabWorks and/or the RW Therapy Services Entity was in full and timely compliance with the obligations in this Agreement for which OIG demands payment; and (ii) the period of noncompliance. RehabWorks and/or the RW Therapy Services Entity shall have the burden of proving its full and timely compliance and the steps taken to cure the noncompliance, if any. For purposes of paying stipulated penalties under this CIA, and if RehabWorks and/or the RW Therapy Services Entity choose to seek review in lieu of curing the breach and paying the stipulated penalties, as set forth above, the ALJ's decision shall trigger RehabWorks' and/or the RW Therapy Services Entity's obligation to pay. Thus, payment will be due twenty (20) days after the date that the ALJ issues the decision. RehabWorks' and/or the RW Therapy Services Entity's election of its contractual right to appeal to the DAB shall not excuse its

obligation to make payment upon issuance of the ALJ's decision.

Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for exclusion based on a material breach of this Agreement shall be (a) whether RehabWorks and/or the RW Therapy Services Entity was in material breach of one or more of its obligations under this Agreement ; (b) whether the alleged material breach was continuing on the date of the Exclusion Letter; or (c) whether the alleged breach could not have been cured within the thirty-five (35) day period, but that (i) RehabWorks and/or the RW Therapy Services Entity has begun to take action to cure the breach, (ii) it is pursuing such actions with due diligence, and (iii) it has provided OIG with a reasonable timetable for curing the breach. For purposes of the exclusion herein agreed to in the event of a material breach of this Agreement, the ALJ's decision shall trigger the exclusion. Thus, the OIG may proceed with its exclusion of RehabWorks and/or the RW Therapy Services Entity if and when the ALJ issues a decision in favor of the OIG. RehabWorks' and/or the RW Therapy Services Entity's election of its contractual right to appeal to the DAB shall not abrogate the OIG's authority to exclude RehabWorks and/or the RW Therapy Services Entity upon the issuance of the ALJ's decision.

The review by an ALJ or DAB provided for above shall not be considered to be an appeal right arising under any statutes or regulations. Consequently, the parties to this CIA agree that the DAB's decision (or the ALJ's decision if not appealed) shall be considered final for all purposes under this CIA and agree to waive any right they may have to appeal the decision administratively, judicially or otherwise seek its review by any court or other adjudicative forum.

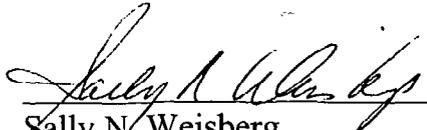
IX. EFFECTIVE AND BINDING AGREEMENT

Consistent with the provisions in the settlement agreement pursuant to which this Agreement is entered, and into which this Agreement is incorporated, RehabWorks and the OIG agree as follows:

1. This Agreement shall be binding on the successors, assigns and transferees of RehabWorks;
2. This Agreement shall become final and binding only upon signing by each respective party hereto;
3. Any modifications to this Agreement shall be made with the prior written consent of the parties to this Agreement; and
4. The undersigned RehabWorks signatories represent and warrant that they are

authorized to execute this Agreement. The undersigned OIG signatory represents that he is signing this Agreement in his official capacity and that he is authorized to execute this Agreement.

ON BEHALF OF REHABWORKS, INC.



Sally N. Weisberg
Executive Vice President
Integrated Health Services

DATED: 4/28/99

**AS TO OPERATION AND MAINTENANCE OF THE PLAN:
ON BEHALF OF INTEGRATED HEALTH SERVICES, INC.**



Marshall A. Elkins
Executive Vice President and
General Counsel
Integrated Health Services

DATED: April 28, 1999



Cheryl C. Battee
Vice President, Corporate Compliance
Integrated Health Services

DATED: 4/28/99

**ON BEHALF OF THE OFFICE OF INSPECTOR GENERAL
OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES**



LEWIS MORRIS, ESQUIRE
Assistant Inspector General for Legal Affairs
Office of Counsel to the Inspector General
Office of Inspector General
U.S. Department of Health and Human Services

DATED: 4/30/99